

# ICPS newsletter

## The quality of economic statistics in Ukraine

***The State Statistics Committee of Ukraine (Derzhkomstat) has endeavoured to introduce international statistical standards in its work. However, little has been done to publicise the outcome. Derzhkomstat has not presented a consistent methodology of processing statistical data. Due to the lack of transparency, users doubt the reliability of Ukrainian statistical data. The goal of ICPS's research titled "Economic Statistics in Ukraine", was to analyse changes in Ukrainian statistics from the point of view of users. The report on the research findings was published in the latest issue of ICPS's Policy Studies journal this week. The main ideas are presented below***

### Users and compilers

Economic statistics entails gathering, systematising, and interpreting discrete quantitative data which describe economic events. The output of statistics is a set of aggregated indicators that allows monitoring the general economic situation and developments in particular sectors. Statistical activities also include drawing conclusions regarding the growth of the national economy that should be considered in the decision-making process.

The users of statistical data are the government and business sectors, and the public. The government uses statistical data in the policy-making process to draw inferences regarding economic development trends. Businesses decide on investment projects based on statistical conclusions regarding economic development potential. The public requires statistical data to initiate or support their discussion of societal problems.

The mission of a statistical agency should be to provide high-quality, accurate, and client-oriented statistical services, in order to encourage research activities and public discussions, as well as ensure effective decision making. Statistical agencies are also responsible for coordinating the activities of other compilers of statistical data, and for delivering statistical data to the users.

The prime statistical agency in Ukraine is the State Statistics Committee. Statistical data is also compiled by the National Bank of Ukraine (NBU) and the Finance Ministry. The NBU runs the monetary, banking, and balance-of-payments statistics; the Finance Ministry compiles the public finance accounts.

### International standards

Users consider statistical data credible if statistical authorities are independent and the methodology of calculating statistical indicators is transparent.

In its documents, the UN defines the following criteria for the independence of statistical authorities:

- Official statistical data is processed and conveyed in full to users by official statistical agencies.
- The top authorities of statistical agencies can choose the methods and procedures for collecting, processing, storing, and presenting data only on the grounds of professional reasoning (no subjective factors or outside pressure, etc.).
- Statistical agencies have the authority to comment on misleading interpretation or misuse of statistical data by users—in particular, by the government.

The UN develops and publishes standard methods for collecting, processing, and disseminating statistical data that take into account the needs of state administration and macroeconomic analysis. In 1993, international organisations under the aegis of the UN Statistical Committee prepared successive versions of the System of National Accounts (SNA), which serves as a basis for calculating the most important macroeconomic indicators. Using proper methodologies, this helps to compare macroeconomic time series across different countries.

The UN and Eurostat develop standard classifications for types and subjects of economic activities. Classification is an important instrument in the process of preparing data, as it allows aggregating

discrete data and calculating aggregated indicators (for example, price indices by economic sector). To provide for analysis between countries, international organisations aim to standardise classifications.

The International Monetary Fund (IMF) developed standards for disseminating statistical data. The Special Data Dissemination Standard of 1996 is the standard that is used most widely. It envisions disclosing data (in particular, via the Internet) which are valuable for foreign investors. Besides, the IMF proposed its own methodology for organising public finance, monetary, and balance-of-payments accounts.

### Differences between statistics in planned and market economies

Over a long time, Ukrainian statistics developed in an environment closed to international experience. Before the 1980s, two statistical systems were developed—the system of material production used in the Soviet Union, and the system of national accounts that had been introduced in European and North American countries after the Second World War.

The system of material production fit the requirements of a planned economy for description and analysis. The aim of Soviet state economic policy was to manage material resource flows, plan production indicators, and control how individual enterprises fulfilled the plan. As a result, statistics encompassed *all* enterprises in the economy.

In a market economy, managers of firms and heads of households make their decisions independently, based on their own interests. Under these conditions, the goal of economic policy is to create stimuli and establish rules of the game that orient economic agents' activities upon fulfilling societal objectives. Policymaking in a market economy requires being able to have an overall picture of the country's economic development.

## Major problems of Ukrainian statistics

The majority of problems in Ukrainian statistics relate to the transition from the system of material production to modern international standards:

- As previously, the source of primary information for Derzhkomstat is statistical reports of all enterprises. As more firms emerge, this method imposes higher costs—both on Derzhkomstat and on enterprises. Besides, the information obtained becomes less credible, because the statistics cannot possibly encompass all newly created firms. In international practice, sample enterprise surveys are widely used.
- In the Soviet planned economy, more weight was given to annual indicators, while cumulative monthly data was used to monitor the dynamic of fulfilling the annual plan. In a market economy, discrete quarterly data is commonly used. Thus, Derzhkomstat faces the challenge of

converting from cumulative to quarterly indicators.

- A large volume of debts accumulated in the economy leads to significant discrepancies between indicators calculated on accrual-basis accounting and on cash-basis accounting. This undermines the integrity of the statistical data.
- In the planned economy, statistics were mostly based on physical volume indicators, as prices in the planned economy were not informative.

The institutional obstacle to implementing statistical reform in Ukraine is the poor capacity of Derzhkomstat to develop methodology, for in Soviet times methodology was worked out and handed down from Moscow.

## Assessing Ukrainian statistics from the users' standpoint

We propose the following criteria to assess Ukrainian statistics from the users' standpoint:

- **Reliability.** Doubts regarding the reliability of data arise due to (1) frequent adjustments of annual data while related quarterly data remains unchanged; (2) non-transparent methodology for calculating statistical indicators; (3) inaccessibility of information regarding individual components of aggregated indicators. To ensure reliability, Derzhkomstat should start regularly publishing manuals which describe the methodology of computing statistical indicators. Moreover, the agency should inform users regarding changes in methodology.

- **Quality.** Ukrainian statistics do not contain all the data needed for macroeconomic simulation and decision making. They reflect some economic elements only partially (for example, wage statistics do not encompass small enterprises). The lack of collaboration between statistical agencies (Derzhkomstat, NBU, and the Finance Ministry), which sometimes use different methodologies for processing data, worsens the quality of statistical data.

- **Timeliness.** Derzhkomstat generally adheres to a schedule for completing its statistical work, but data still reaches users late, due to the lack of efficient means for disseminating information.

- **Accessibility.** Ukrainian statistics are not available to a wide circle of users, let alone businesses. Derzhkomstat has not developed a policy or system for disseminating information. Data from Derzhkomstat is sent in hard copies to a limited number of users, primarily government workers. The Finance Ministry does not disclose information regarding public finances. The NBU is the only agency maintaining a web page where banking and monetary statistical indicators can be found.

## Vectors of statistical developments

In our opinion, statistics in Ukraine should develop in the following major directions:

- The use of surveys should broaden, while statistical reporting forms should be made simpler. As a result, the quality of data will improve (statistics will incorporate a greater variety of economic entities) and the cost of obtaining primary information will decline.
  - Derzhkomstat, the Finance Ministry, and the NBU should collaborate more closely on creating consistent methodologies and an information dissemination system.
  - Regional statistics should be expanded. Derzhkomstat presents the majority of its main indicators by regions, but regional data are still lacking on the balance of household incomes and expenditures, as well as regional national accounts.
  - International classification systems and registers should be introduced. After that, all statistical agencies will use common accounting, registering, and processing techniques.
  - Statistical data should be reported and disseminated according to international standards. In particular, the IMF Special Data Dissemination Standard (SDDS) should be introduced.
  - Derzhkomstat should maintain a web-page and continuously update it. Derzhkomstat should post all data which is to be disclosed according to the Law "On state statistics". ■
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### *This week*

#### **ICPS distributing newest edition of the World Bank's *Transition* newsletter.**

A new issue of the bulletin *Transformatsiia*—a Russian-language version of the World Bank's *Transition* newsletter, issued and distributed by ICPS under a contract with the World Bank—was published last week. The new issue contains articles on the following topics:

1. Three papers from the ABCDE Conference:
  - "The road to a free economy" by Janos Kornai;
  - "End of Conditionality?" by Paul Collier;
  - "Capturing the state" by Joel Helleman et al.
2. China needs further reforms.
3. China at the gates of the WTO.
4. Growth is good for the poor.
5. Investments in the Baltics.
6. Latvian puzzle: Currency substitution.
7. Pension reform in Ukraine.
8. EU standards and Russia.

*If you wish to subscribe to the bulletin Transformatsiia, please contact Mr. Oleksiy Blinov, ICPS marketing office, tel.: (380-44) 463-6337, e-mail:*

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*ICPS Newsletter* is published by the ICPS Publications Group. ICPS Publications director Hlib Vyshlinsky ([hlib@icps.kiev.ua](mailto:hlib@icps.kiev.ua))  
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English text editor D. (Ksenia) Ovcharenko.  
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